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# Consumers Distributing

## 1971 annual report





247 7411

## DIRECTORS

Jack Stupp, *Chairman of the Board and President, Toronto*  
 L. S. D. Fogler, Q.C., *Barrister and Solicitor, Toronto*  
 A. J. Latner, *President, Greenwin Construction Company, Toronto*  
 Lillian Stupp, *Toronto*  
 H. L. Wolfson, *Economic Consultant, Toronto*

## EXECUTIVE OFFICERS

Jack Stupp, *Chairman of the Board and President*  
 L. S. D. Fogler, Q.C., *Secretary-Treasurer*  
 Albert Binstock, *Vice-President, Merchandising*  
 George Graff, *Vice-President, Operations*  
 A. Roy Voelker, C.A., *Vice-President, Finance and Administration*  
 Peter M. C. Onions, F.A.I.A., *Comptroller*

## TRANSFER AGENT AND REGISTRAR

Guaranty Trust Company of Canada, Toronto

## AUDITORS

Laventhol Krekstein Horwath & Horwath, Toronto

## BANKERS

Canadian Imperial Bank of Commerce

## LISTED

The Toronto Stock Exchange

## HEAD OFFICE

62 Belfield Road, Rexdale, Ontario

## FINANCIAL HIGHLIGHTS

### SALES

	<u>1971</u>	<u>1970</u>
Consumers Distributing .....	\$42,918,000	\$31,216,000
Consumers 'National' .....	\$ 5,228,000	—

### NET PROFIT

.....	\$ 2,222,000	\$ 1,421,000
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### EARNINGS PER SHARE

.....	\$ 1.10	\$ 0.70
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### WORKING CAPITAL

.....	\$ 6,939,000	\$ 5,501,000
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### SHARES

Number outstanding at year-end .....	2,030,125	2,025,000
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### SHOWROOMS (at year end)

Consumers Distributing .....	49	36
Consumers 'National' .....	9	—



note 23



## TO OUR SHAREHOLDERS

I am pleased to report that 1971 was again a year of strong growth for your company. It was marked by substantial increases in both sales and profits, the continued opening of showrooms in Ontario, and our successful entry into the Quebec market through an associate company, Consumers Distributing Company (National) Limited, in which your company has a 50 percent interest.

Sales from operations in Ontario continued their sharp gains in 1971, to a total of \$42,918,000 from \$31,216,000 the previous year. Sales from the first four months of operations of Consumers 'National', in Quebec, were \$5,228,000.

Profits per share increased by 56 percent to \$1.10 from 70 cents the previous year. Total profits climbed to \$2,222,000 from \$1,421,000 a year earlier. Included in the latest figures is the company's share in the profits of Consumers 'National' of \$165,000.

Under your company's continuing expansion program, 14 showrooms were opened in Ontario during 1971. At year-end, Consumers Distributing was operating

49 outlets in 31 cities in Ontario ranging from Cornwall and Ottawa in the east to Windsor in the south and Thunder Bay in the north-west.

Consumers Distributing now has at least one showroom in most of the cities and larger towns in the province. A growing part of our future program will be directed to increasing our penetration of cities where we are already represented and to the relocation of existing outlets. So far in 1972, we have signed agreements for 10 new showrooms.

In earlier years, Consumers Distributing showrooms were often located in existing buildings in secondary commercial areas. Today, we are frequently leasing showrooms erected to our specifications and located in prime commercial areas, usually within or adjacent to major shopping centres.

This policy has increased our level of efficiency in serving customers and, at the same time, has allowed us to reduce the total floor area required for a branch outlet. For example, our average showroom size has been reduced from the typical 15,000 square feet of several years ago to our current standard size unit of 9,100 square feet while retaining the same sales capacity.

One of the most significant events of the past year was your company's entry, through an associate company, Consumers 'National', into the Quebec market. Nine catalogue showrooms operating under the name Distribution aux Consommateurs were opened in the greater Montreal region since mid-September.

Catalogues are provided in both French and English in our Distribution aux Consommateurs showrooms.

The immediate and exciting response to the new showrooms more than justified your management's confidence that our concept would be well received in Quebec. Results have corroborated our decision to further penetrate this market by opening more outlets in the Montreal area and in other cities in the province. Under our 1972 program, we have to-date confirmed 14 additional showrooms.

### Outlook

Consumer spending in the country has been rising at a brisk rate and the Canadian economy appears to be rapidly regaining its growth potential.



Both of these factors make our prospects for 1972 very bright.

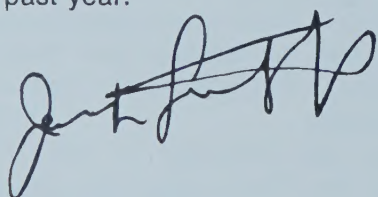
The success of the company can, I believe, be attributed to our observing the merchandising policy on which it was founded. This policy has been proven for more than a decade, and I believe it will continue to satisfy the needs of shoppers wherever we may locate.

In addition to our planned physical expansion, attention is being constantly paid to ensure an adequate depth of the company's management. A strong core of project managers, administrative staff and specialists is being developed to add to the entrepreneurial and creative spirit which is a hallmark of our company.

#### Appreciation

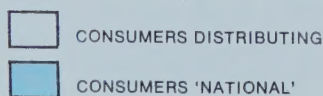
On behalf of the Board of Directors, I extend thanks to all employees for their tireless efforts towards our continued growth and prosperity.

I also wish to express our appreciation to our customers and suppliers for their loyalty and assistance in helping us achieve the stellar results that have marked the past year.



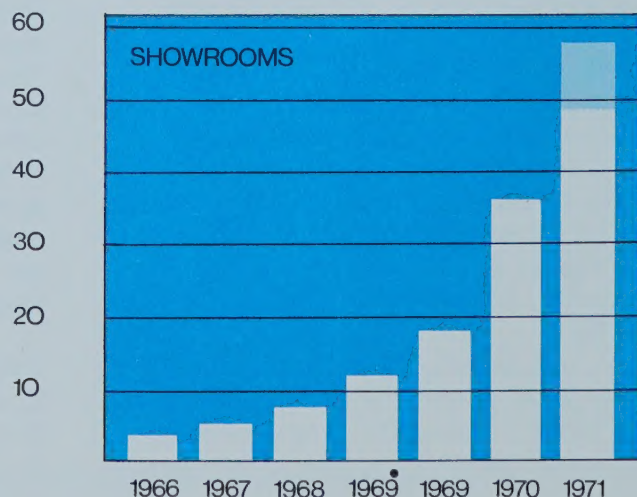
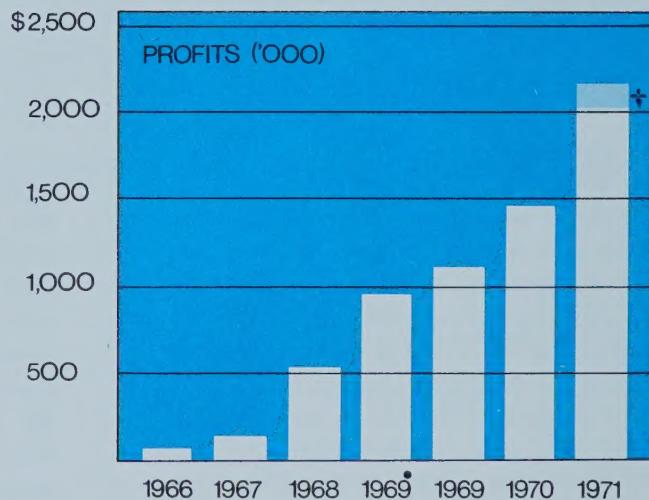
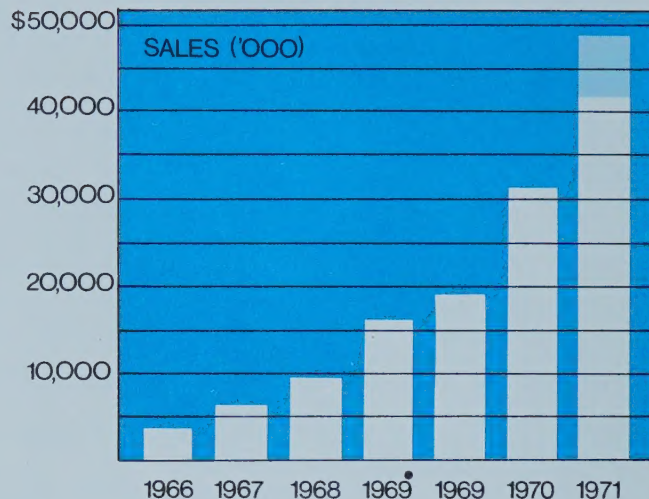
March 23, 1972

Jack Stupp  
President



\*FIFTY PERCENT SHARE IN PROFITS OF CONSUMERS NATIONAL

YEARS 1966 THROUGH 1969\* ARE FOR TWELVE MONTHS ENDED AUGUST 31; YEARS 1969 THROUGH 1971 ARE FOR TWELVE MONTHS ENDED DECEMBER 31.



## Consumers Distributing Company Limited

### CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

Year Ended December 31

	1971	1970
Income		
Sales .....	\$42,918,081	\$31,216,128
Share of net earnings of Consumers Distributing Company (National) Limited (note 1) .....	164,612	—
	<u>43,082,693</u>	<u>31,216,128</u>
Costs and expenses		
Cost of sales and operating expenses (note 3) .....	38,087,198	27,790,569
Debt interest (including amortization of financing expenses of \$12,000 (1970 - \$7,000)) .....	278,625	164,500
Other interest .....	208,745	107,197
Depreciation and amortization of equipment and leasehold improvements .....	231,813	143,290
	<u>38,806,381</u>	<u>28,205,556</u>
Income before income taxes .....	4,276,312	3,010,572
Income taxes (note 5) .....	2,054,715	1,589,107
Net income .....	<u>2,221,597</u>	<u>1,421,465</u>
Retained earnings at beginning of year .....	3,678,407	2,256,942
Retained earnings at end of year .....	<u>\$ 5,900,004</u>	<u>\$ 3,678,407</u>
Earnings per share (note 12) .....	<u>\$ 1.10</u>	<u>\$ 0.70</u>

See accompanying notes



# Consumers Distributing Company Limited

(Incorporated under the laws of the Province of Ontario)

## CONSOLIDATED BALANCE SHEET

December 31

ASSETS	1971	1970
Current		
Cash .....	\$ 1,227,247	\$ 1,269,305
Accounts receivable .....	231,594	148,230
Inventory, at lower of cost and net realizable value .....	14,083,536	10,570,227
Prepaid expenses and sundry assets .....	887,796	485,342
Total current assets .....	16,430,173	12,473,104
Investment in Consumers Distributing Company (National) Limited (note 1) .....	164,812	—
Equipment and leasehold improvements, at cost less accumulated depreciation and amortization (note 2) .....	2,633,708	1,957,555
Other assets		
Financing expenses, less amounts amortized .....	102,490	114,490
Deferred charges, less amounts amortized (note 3) .....	465,373	304,177
	567,863	418,667
	<u>\$19,796,556</u>	<u>\$14,849,326</u>

## LIABILITIES

Current		
Accounts payable and accrued liabilities .....	\$ 8,772,860	\$ 6,515,581
Income taxes .....	718,240	456,641
Total current liabilities .....	9,491,100	6,972,222
9% Convertible Debentures, Series A, due June 30, 1980 (note 4) .....	2,925,000	3,000,000
Deferred income taxes (note 5) .....	687,017	482,237

## SHAREHOLDERS' EQUITY

Capital (notes 6 and 7)		
Authorized		
6,000,000 Common shares, without par value		
Issued		
2,030,125 Common shares .....	793,435	716,460
Retained earnings .....	5,900,004	3,678,407
	6,693,439	4,394,867
	<u>\$19,796,556</u>	<u>\$14,849,326</u>

See accompanying notes

Approved on behalf of the Board of Directors

JACK STUPP (Director)

L. S. D. FOGLER (Director)

# Consumers Distributing Company Limited

## CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year Ended December 31

	1971	1970
Source of funds		
From operations		
Net income .....	\$2,221,597	\$1,421,465
Add (deduct) charges (credits) to income not requiring a current outlay of funds		
Depreciation and amortization of equipment and leasehold improvements .....	231,813	143,290
Amortization of deferred charges .....	155,350	77,109
Amortization of financing expenses .....	12,000	7,000
Deferred income taxes .....	204,780	411,766
Share of net earnings of Consumers Distributing Company (National) Limited .....	(164,612)	—
	<u>2,660,928</u>	<u>2,060,630</u>
Issue of debentures .....	—	3,000,000
Issue of shares (note 7) .....	1,975	—
	<u>2,662,903</u>	<u>5,060,630</u>
Application of funds		
Deferred charges .....	316,546	305,539
Financing expenses .....	—	121,490
Equipment and leasehold improvements .....	907,966	1,300,350
Investment in shares of Consumers Distributing Company (National) Limited .....	200	—
	<u>1,224,712</u>	<u>1,727,379</u>
Increase in working capital .....	1,438,191	3,333,251
Working capital at beginning of year .....	5,500,882	2,167,631
Working capital at end of year .....	<u>\$6,939,073</u>	<u>\$5,500,882</u>

See accompanying notes



# Consumers Distributing Company Limited

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### YEAR ENDED DECEMBER 31, 1971

#### 1. Principles of consolidation

The consolidated financial statements include the accounts of all subsidiary companies. The company has adopted the equity method of accounting for its investment in 50% of the common shares of Consumers Distributing Company (National) Limited. Under the equity method the company's investment in Consumers Distributing Company (National) Limited is carried on the balance sheet at cost plus its share of undistributed earnings. The company's share of net earnings is reflected in the consolidated statement of income and retained earnings.

Condensed operating results of Consumers Distributing Company (National) Limited for the period from the date of commencement of operations (September 9, 1971) to December 31, 1971 were as follows:

Sales .....	\$5,227,686
Costs and expenses .....	\$4,586,462
Net income .....	<u>\$ 329,224</u>

#### 2. Equipment and leasehold improvements

	Annual rates	Cost	Accumulated Depreciation and Amortization	Net
Office, warehouse and showroom equipment	5% and 10%	\$2,363,774	\$396,377	\$1,967,397
Leasehold improvements	Term of lease	610,482	139,776	470,706
Automotive equipment	10% and 20%	225,998	60,393	195,605
		<u>\$3,230,254</u>	<u>\$596,546</u>	<u>\$2,633,708</u>

The annual rates are applied to original cost and are designed to write off the assets over their estimated useful life.

#### 3. Deferred charges

Pre-opening costs relating to new branches — amortized over 24 months for Metropolitan Toronto locations and over 36 months for other locations, commencing with the month after the date of opening	\$253,108
Costs for development of new systems and procedures — amortized over varying periods not exceeding five years .....	212,265
	<u>\$465,373</u>

Deferred charges amortized during 1971 and included in cost of sales and operating expenses on the consolidated statement of income and retained earnings amounted to \$155,350.

#### 4. 9% Convertible Debentures, Series A, due June 30, 1980

These debentures are secured by a floating charge on all the assets and property of the company, subordinated to a \$6,200,000 first floating charge debenture in favour of the company's bank (see note 9).

The Series A debentures are redeemable at the company's option at a premium of 9% to June 30, 1972. Thereafter, the premium decreases 1% per annum to the maturity date, June 30, 1980.

The Series A debentures are convertible at the option of the holder at any time prior to June 30, 1980, into common shares of the company at a conversion price of \$15 per share. During 1971 \$75,000 Series A debentures were converted into 5,000 common shares (see note 7).

The trust deed securing the debentures contains restrictions on the payment of dividends unless the company is able to meet certain tests set forth in the trust deed.

#### 5. Deferred income taxes

The company follows the tax allocation principle of providing for income taxes. Under this principle, deferred income taxes result from claiming for income tax purposes capital cost allowances in excess of depreciation and amortization recorded in the accounts, and from writing off for income tax purposes financing expenses, deferred charges and other deferred costs during the year incurred.

#### 6. Stock options and reservation of shares

In connection with the company's Employee Stock Option Plan, 100,000 common shares have been reserved. Options have been granted on 63,275 shares as at December 31, 1971, exercisable at prices ranging from \$15.50 to \$23.50 over the next ten years.

195,000 common shares are reserved for issue pursuant to the conversion privilege granted to the holders of the Series A debentures (see note 4).



## 7. Capital stock

	December 31			
	1971		1970	
	Number of shares issued	Amount	Number of shares issued	Amount
Balance at beginning of year	2,025,000	\$716,460	2,025,000	\$716,460
Shares issued during year:				
On exercise of stock options (see note 6)	125	1,975	—	—
On conversion of Series A debentures (see note 4)	5,000	75,000	—	—
Bal. at end of year	2,030,125	\$793,435	2,025,000	\$716,460

## 8. Lease obligations

Property and equipment rental for the year ended December 31 1971 amounted to \$1,668,545.

Annual minimum rentals payable under long-term leases in effect as at December 31, 1971 (excluding insurance, property taxes and certain other occupancy charges) are as follows:

1972	\$1,661,875	1977	\$1,339,615
1973	1,623,084	1978	1,306,448
1974	1,533,703	1979	1,291,604
1975	1,430,590	1980	963,173
1976	1,363,912	1981 to '96 (incl.)	8,598,665

## 9. Bank indebtedness

Although the company was not indebted to the bank as at December 31, 1971 a collateral floating charge on all assets of the company was held by the bank. The company has also given the bank an assignment

of book debts and assignments of life insurance policies in the amount of \$2,100,000.

## 10. Contingent liability

The company is jointly and severally liable with The Oshawa Group Limited as guarantor of the leases of Consumers Distributing Company (National) Limited. The annual minimum rentals payable by Consumers Distributing Company (National) Limited under long-term leases in effect as at December 31, 1971, are as follows:

1972	\$240,406	1977	\$ 251,656
1973	241,852	1978	251,656
1974	245,656	1979	251,656
1975	245,656	1980	251,656
1976	247,239	1981 to '96 (incl.)	2,874,197

## 11. Remuneration of directors and senior officers

The aggregate direct remuneration paid by the company and its consolidated subsidiaries to directors and senior officers of the company for the year ended December 31, 1971 was \$182,128.

## 12. Earnings per share

The earnings per share figures were calculated using the weighted daily average of shares outstanding during the respective fiscal years. Fully diluted earnings per share for 1971 would be \$1.06, and reflect the effect on earnings per share which would result if all of the convertible debentures had been converted into common shares at the beginning of the year. No further dilution in earnings per share would result from the exercise of the employee stock options based on the assumption that the funds to be derived therefrom can be invested to produce an annual return at least equal to the rate normally earned by the company. The income imputed, after income taxes, would be significantly in excess of \$55,000, the amount below which dilution would occur.

## AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Consumers Distributing Company Limited and its subsidiaries as at December 31, 1971 and the consolidated statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements pre-

sent fairly the financial position of the companies as at December 31, 1971 and the results of their operations and the source and application of their funds for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Leventhal Kiehlstein Horwath & Horwath*

Toronto, Ontario  
March 10, 1972

Chartered Accountants

## 63 SHOWROOMS IN 47 ONTARIO AND QUEBEC COMMUNITIES:

### ONTARIO

#### BARRIE

353 Bayfield Street

#### BELLEVILLE

211 North Front Street

#### BRAMPTON

239 Queen Street East

#### BRANTFORD

331 St. George Road North

#### BROCKVILLE

71 Parkdale Avenue

#### BURLINGTON

2340 Fairview Avenue

#### CHATHAM

351 Richmond Street

#### CORNWALL

1340 Second Street East

#### GALT

551 Hespeler Road

#### GUELPH

220 Victoria Road South

#### HAMILTON

319 Nash Road North

70 Sanford Avenue North

1050 Upper James Street

#### KINGSTON

71 Princess Street

#### KITCHENER

1253 King Street East

#### LONDON

476 Clarke Road

390 Springbank Drive

352 Talbot Street

#### MISSISSAUGA

93 Dundas Street East

#### NIAGARA FALLS

Dorchester Rd. Plaza

(6847 Morrison Street)

#### NORTH BAY

Nipissing Plaza

#### OAKVILLE

1054 South Service Road

#### OTTAWA

1616 Merivale Road

254 Preston Street

867 St. Laurent Boulevard

1440 Walkley Road

#### OWEN SOUND

Highways 21 & 6, R.R. #5

#### PETERBOROUGH

Market Place Shopping Centre

(83 George St.)

#### RICHMOND HILL

9741 Yonge Street

#### SARNIA

1249 London Road East

#### SAULT STE. MARIE

293 Northern Avenue

#### ST. CATHARINES

224 Glendale Avenue

43 James Street

#### STRATFORD

447 Huron Street

#### SUDBURY

918 Barrydowne Road

#### THUNDER BAY

Intercity Plaza, Fort William Road

#### TORONTO

818 Dufferin Street

370 Pape Avenue

585 St. Clair Avenue West

#### East York

660 Eglinton Avenue East

#### Etobicoke

62 Belfield Road

5230 Dundas Street West

#### North York

877 Wilson Avenue

5825 Yonge Street

#### Scarborough

301 Danforth Road

1536 Midland Avenue

#### York

1200 Castlefield Avenue

#### WATERLOO

25 King Street South

#### WELLAND

Lincoln Plaza, Lincoln St. E.

#### WHITBY

1810 Dundas Street East

#### WINDSOR

2400 Dougall Avenue

7540 Tecumseh Road East

#### WOODSTOCK

972 Dundas Street

### QUÉBEC

#### MONTREAL

6580, rue St. Hubert

7275, rue Sherbrooke est

#### DORVAL

305, avenue Dorval

2315, boulevard Hymus

#### LAFLÈCHE

3535, boulevard Taschereau

#### LaSALLE

8371, boulevard Newman

#### LAVAL

3370, boulevard St. Martin

#### LONGUEUIL

2930, chemin Chambly

#### ST. LAURENT

1120, boulevard Laurentien

#### ST. LÉONARD

9235, boulevard Lacordaire



**EN ONTARIO ET AU QUÉBEC,  
63 SALES D'EXPOSITION  
DANS 47 LOCALITÉS**

**QUÉBEC**

**MONTREAL**

- 6580, rue St. Hubert
- 7275, rue Sherbrooke est
- DORVAL**
- 305, avenue Dorval
- 2315, boulevard Hymus
- LAFLÈCHE**
- 3535, boulevard Taschereau
- LaSALLE**
- 8371, boulevard Newman
- LAVAL**
- 3370, boulevard St. Martin
- LONGUEUIL**
- 2930, chemin Chambly
- ST. LAURENT**
- 1120, boulevard Laurentien
- ST. LÉONARD**
- 9235, boulevard Lacordaire

**ONTARIO**

**BARRIE**

- 353 Bayfield Street
- BELLEVILLE**
- 211 North Front Street
- BRAMPTON**
- 239 Queen Street East
- BRANTFORD**
- 331 St. George Road North
- BROCKVILLE**
- 71 Parkdale Avenue
- BURLINGTON**
- 2340 Fairview Avenue
- CHATHAM**
- 351 Richmond Street
- CORNWALL**
- 1340 Second Street East
- GALT**
- 551 Hespeler Road
- GUELPH**
- 220 Victoria Road South
- HAMILTON**
- 319 Nash Road North
- 70 Sanford Avenue North
- 1050 Upper James Street
- KINGSTON**
- 71 Princess Street
- KITCHENER**
- 1253 King Street East
- LONDON**
- 476 Clarke Road
- 390 Springbank Drive
- 352 Talbot Street

**NIAGARA FALLS**

- 93 Dundas Street East
- Dorchester Rd. Plaza
- (6847 Morrison Street)

**NORTH BAY**

- Nipissing Plaza

**OAKVILLE**

- 1054 South Service Road

**OTTAWA**

- 1616 Merivale Road
- 254 Preston Street
- 867 St. Laurent Boulevard
- 1440 Walkley Road

**OWEN SOUND**

- Highways 21 & 6, R.R. #5

**PETERBOROUGH**

- Market Place Shopping Centre
- (83 George St.)

**RICHMOND HILL**

- 9741 Yonge Street

**SARNIA**

- 1249 London Road East

**SAULT STE. MARIE**

- 293 Northern Avenue

**ST. CATHARINES**

- 224 Glendale Avenue

**STRATFORD**

- 447 Huron Street

**SUDBURY**

- 918 Barrydowne Road

**THUNDER BAY**

- Intercity Plaza, Fort William Road

**TORONTO**

- 818 Dufferin Street
- 370 Pape Avenue
- 585 St. Clair Avenue West
- East York**
- 660 Eglinton Avenue East
- Etiobicoke**
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- 5230 Dundas Street West
- North York**
- 877 Wilson Avenue
- 5825 Yonge Street
- Scarborough**
- 301 Danforth Road
- 1536 Midland Avenue
- York**
- 1200 Castletfield Avenue
- WATERLOO**
- 25 King Street South
- WELLAND**
- Lincoln Plaza, Lincoln St. E.
- WHITBY**
- 1810 Dundas Street East
- WINDSOR**
- 2400 Dougall Avenue
- 7540 Tecumseh Road East
- WOODSTOCK**
- 972 Dundas Street

7. Capital-actions

31 décembre		1971		1970	
		Nombre d'actions émises	Montant	Nombre d'actions émises	Montant

Soide au début de l'exercice	2,025,000	\$716,460	2,025,000	\$716,460
Actions émises durant l'année:				
Par l'exercice des privilèges de sous-critions (voir note 6)	125	1,975	—	—
Par la conversion des débiteures série A (voir note 4)	5,000	75,000	—	—
Soide à la fin de l'exercice:	2,030,125	\$793,435	2,025,000	\$716,460

8. Engagements des baux à long terme

Le coût de location d'immeubles et d'équipement s'élevait à \$1,668,545 pour l'exercice terminé le 31 décembre 1971. Les engagements financiers annuels minimums résultant des baux à long terme en vigueur au 31 décembre 1971 (à l'exclusion du coût des assurances, taxes et autre frais d'occupation) sont les suivants:

1972	\$1,661,875	1977	\$1,339,615
1973	1,623,084	1978	1,306,448
1974	1,533,703	1979	1,291,604
1975	1,430,590	1980	963,173
1976	1,363,912	1981 à 1996 (incl.)	8,598,665

9. Emprunts bancaires

Même si la compagnie n'avait aucune dette envers ses banquiers au 31 décembre 1971, la banque détenait en nantissement une charge flottante sur tous les actifs de la compagnie. De plus, la compagnie a fait cession en faveur de la banque des comptes à recevoir et de polices d'assurance-vie pour un montant de \$2,100,000.

RAPPORT DES VERIFICATEURS AUX ACTIONNAIRES

Nous avons examiné le bilan consolidé de Consumers Distributing Company Limited et ses filiales au 31 décembre, 1971 et les états consolidés des bénéfices et des bénéfices non répartis et de source et d'emploi des fonds pour l'exercice terminé à cette date. Notre examen a comporté une revue générale des procédés comptables et tels sondages des registres comptables et autres preuves à l'appui que nous avons jugés nécessaires dans les circonstances.

Toronto, Ontario  
le 10 mars 1972

Comptables Agréés

*James M. McKelvey, Howard R. Howard*

dent.

A notre avis, ces états financiers consolidés présentent fidèlement la situation financière de ces compagnies au 31 décembre, 1971 et leurs résultats d'exploitation et la provenance et l'utilisation de leurs fonds pour l'exercice terminé à cette date, conformément aux principes comptables généralement reconnus, appliqués de la même manière qu'au cours de l'exercice précédent. Le revenu ainsi réalisé après provision pour impôts excéderait de beaucoup \$55,000, le seuil de la dilution.

12. Bénéfice par action

Le bénéfice par action a été calculé en fonction de la moyenne pondérée des actions en circulation chaque jour des exercices financiers concernés. Le bénéfice compté-ment dilué par action pour 1971 serait de \$1.06, et refléterait l'effet qu'aurait eu sur le bénéfice par action la conversion de toutes les débiteures convertibles en actions ordinaires au début de l'année. Le bénéfice par action ne serait pas dilué davantage suite à l'exercice, par les employés, de leur droit de souscription, dans l'hypothèse que le produit de leur souscription pourrait être investi de façon à produire un rendement annuel au moins égal au rendement normal de l'entreprise. Le revenu ainsi réalisé après provision pour impôts excéderait de beaucoup \$55,000, le seuil de la dilution.

11. Rémunérations des administrateurs et des cadres supérieurs

1972	\$ 240,406	1977	\$ 251,656
1973	241,852	1978	251,656
1974	245,656	1979	251,656
1975	245,656	1980	251,656
1976	247,239	1981 à 1996 (incl.)	2,874,197

1971 sont les suivants:

La compagnie est conjointement et solidairement responsable avec The Oshawa Group Limited à titre de caution des baux de Consumers Distributing Company (National) Limited. Les loyers minimums annuels payables par Consumers Distributing Company (National) Limited en vertu de baux à long terme en vigueur au 31 décembre 1971 sont les suivants:

10. Passif éventuel



# Consumers Distributing Company Limited

## NOTES AUX ETATS FINANCIERS CONSOLIDES

### EXERCICE TERMINE LE 31 DECEMBRE 1971

#### 1. Principes de consolidation

La consolidation des états financiers inclut les comptes de toutes les compagnies filiales. La compagnie a utilisé la méthode des placements variables pour comptabiliser son placement dans 50% des actions ordinaires de Consumers Distributing Company (National) Limited. Selon la méthode des placements variables, le placement dans Consumers Distributing Company (National) Limited est relié au bilan au coût, augmenté de la participation de la compagnie aux bénéfices non répartis. La participation de la compagnie au bénéfice net est reflétée dans l'état consolidé des bénéfices et des bénéfices non répartis.

Les résultats sommaires d'exploitation de Consumers Distributing Company (National) Limited pour la période du début de ses opérations (9 septembre 1971) au 31 décembre 1971 se résument ainsi:

Ventes	\$5,227,686
Coût des ventes et frais généraux	\$4,586,462
Bénéfice net	\$ 329,224

#### 2. Equipement et améliorations locales

Equipement de bureau, d'en-trepôt et de salle de montre	5% et 10%	Durée du bail	10% et 20%	Amortissements	Taux annuel	Coût	Amortissement accumulé	Valeur nette
		610,482	255,998	60,393	470,706			
		\$396,774	\$396,377	\$1,967,397				
		\$2,363,774	\$596,546	\$2,633,708				
		\$3,230,254						

Les taux annuels sont appliqués sur le coût d'origine des actifs et ont été établis en fonction de la durée probable d'utilisation des actifs.

#### 3. Frais reportés

Les coûts d'aménagement des nouvelles succursales sont amortis à compter du 1er mois suivant la date d'ouverture, sur une période de 24 mois pour les succursales du Toronto Métropolitain et sur une période de 36 mois pour les succursales des autres régions

Les coûts de conception et de mise en application des nouveaux systèmes et procédés sont amortis sur une période n'excédant pas cinq exercices

\$212,265

\$465,373

Les frais reportés amortis durant 1971, inclus dans le coût des ventes et les frais d'exploitation inscrits aux états des bénéfices et des bénéfices non répartis, s'élèvent à \$155,350.

#### 4. Débentures convertibles, 9%, Série A, échéant le 30 juin 1980

Ces débentures sont garanties par un acte de fiducie liant tous les actifs et biens de la compagnie. Elles sont subordonnées à un premier privilège au montant de \$6,200,000 en faveur des banquiers de la compagnie (voir note 9). La compagnie a le privilège de racheter, jusqu'au 30 juin 1972, les débentures de série A en payant une prime de 9%. Par la suite, la prime diminue de 1% par année jusqu'à la date d'échéance, le 30 juin 1980.

Les débentures de série A accordent à leurs détenteurs, jusqu'au 30 juin 1980, un privilège de conversion en actions ordinaires de la compagnie au taux de \$15. par action. Au cours de 1971, \$75,000 de débentures série A ont été converties en 5,000 actions ordinaires (voir note 7).

L'acte de fiducie régissant les garanties des débentures contient des restrictions sur le paiement des dividendes, sauf dans le cas où la compagnie dépasse les exigences minimales précisées dans l'acte de fiducie.

#### 5. Impôts sur le revenu reportés

La compagnie pourvoit à ses impôts d'après son bénéfice comptable. Il résulte de cette méthode un report d'impôts qui provient de l'utilisation, pour fins d'impôts, de taux d'amortissements supérieurs à ceux comptabilisés dans les livres de la compagnie, et de la réclamation à titre de dépenses de l'exercice, des frais de financement et des autres frais reportés amortis sur quelques exercices dans les livres de la compagnie.

#### 6. Privilèges de souscriptions et actions réservées

Dans le cadre d'un privilège de souscription consenti à ses employés, la compagnie a réservé 100,000 actions ordinaires. Au 31 décembre 1971, des options avaient été cédées pour la souscription à 63,275 actions à des coûts s'échelonnant de \$15.50 à \$23.50 au cours des dix prochains exercices.

195,000 actions ordinaires sont réservées pour permettre la réalisation du privilège de conversion accordé aux détenteurs des débentures série A (voir note 4).

# Consumers Distributing Company Limited ETAT CONSOLIDE DE SOURCE ET D'EMPLOI DE FONDS

Exercice terminé  
le 31 décembre

	1971	1970
Source des fonds		
Exploitation de l'entreprise		
Bénéfice net	\$2,221,597	\$1,421,465
Plus dépenses, (revenus) ne requérant aucune sortie de fonds		
Amortissement de l'équipement et des améliorations locales	231,813	143,290
Amortissement des frais reportés	155,350	77,109
Amortissement des frais de financement	12,000	7,000
Impôts sur le revenu reportés	204,780	411,766
Part du bénéfice net de Consumers Distributing Company (National) Limited	(164,612)	—
Emission de débtures	2,660,928	2,060,630
Emission d'actions (note 7)	1,975	—
	2,662,903	5,060,630
Emploi des fonds		
Frais reportés	316,546	305,539
Frais de financement	—	121,490
Equipement et améliorations locales	907,966	1,300,350
PlACEMENT EN ACTIONS DE CONSUMERS DISTRIBUTING COMPANY (National) Limited	200	—
Augmentation du fonds de roulement	1,438,191	3,333,251
Fonds de roulement au début de l'exercice	5,500,882	2,167,631
Fonds de roulement à la fin de l'exercice	\$6,939,073	\$5,500,882

Voir notes annexées



# Consumers Distributing Company Limited

(Constituée selon la loi des compagnies de la Province d'Ontario)

## BILAN CONSOLIDE

le 31 décembre

ACTIF		1971	1970
Disponibilités			
En caisse	\$ 1,227,247		\$ 1,269,305
Comptes à recevoir	231,594		148,230
Stock, au moins du coût et de la valeur nette de réalisation	14,083,536		10,570,227
Frais payés d'avance et autres comptes	887,796		485,342
Total des disponibilités	16,430,173		12,473,104
PlACEMENT dans Consumers Distributing Company (National) Limited (note 1)	164,812		—
Equipement et améliorations locatives au coût moins amortissements (note 2)	2,633,708		1,957,555
Autres postes			
Frais de financement, moins amortissements	102,490		114,490
Frais reportés, moins amortissements (note 3)	465,373		304,177
	567,863		418,667
	\$19,796,556		\$14,849,326
PASSIF			
Exigibilités			
Comptes à payer et frais courus	\$ 8,772,860		\$ 6,515,581
Impôts sur le revenu	718,240		456,641
Total des exigibilités	9,491,100		6,972,222
Detentes convertibles 9%, série A, échéant le 30 juin, 1980 (note 4)	2,925,000		3,000,000
Impôts sur le revenu reportés (note 5)	687,017		482,237
AVOIR DES ACTIONNAIRES			
Capital-actions (notes 6 et 7)			
Autorisé			
6,000,000 actions ordinaires sans valeur nominale			
Emis			
2,030,125 actions ordinaires			
Bénéfices non repartis			
	793,435		716,460
	5,900,004		3,678,407
	6,693,439		4,394,867
	\$19,796,556		\$14,849,326
Voir notes annexées			
Signé pour le conseil d'administration			
JACK STUPP Administrateur			
L. S. D. FOGLEER Administrateur			

# Consumers Distributing Company Limited ETAT CONSOLIDE DES BENEFICES ET DES BENEFICES NON REPARTIS

Exercice terminé  
le 31 décembre

	1971	1970
Revenus		
Ventes	\$42,918,081	\$31,216,128
Part du bénéfice net de Consumers Distributing Company (National) Limited (note 1)	164,612	—
	<u>43,082,693</u>	<u>31,216,128</u>
Dépenses		
Coût des ventes et frais d'exploitation (note 3)	38,087,198	27,790,569
Intérêts sur débentures (y compris l'amortissement des frais de financement de \$12,000 (1970 – \$7,000))	278,625	164,500
Autres intérêts	208,745	107,197
Amortissement de l'équipement et des améliorations locatives	<u>231,813</u>	<u>143,290</u>
	<u>38,806,381</u>	<u>28,205,556</u>
Bénéfice avant impôts sur le revenu	4,276,312	3,010,572
Impôts sur le revenu (note 5)	2,054,715	1,589,107
Bénéfice net	<u>2,221,597</u>	<u>1,421,465</u>
Bénéfices non répartis au début de l'exercice	3,678,407	2,256,942
Bénéfices non répartis à la fin de l'exercice	<u>\$ 5,900,004</u>	<u>\$ 3,678,407</u>
Bénéfice par action (note 12)	<u>\$ 1.10</u>	<u>\$ 0.70</u>

Voir notes annexées



villes de la province. Dans le cadre de notre programme de 1972, nous avons à ce jour confirmé l'établissement de 14 autres salles d'exposition.

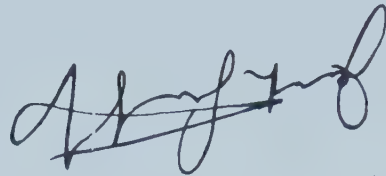
### Perspectives

Au pays, les dépenses des consommateurs augmentent à un rythme rapide et l'économie semble reprendre son expansion. Ces deux facteurs rendent nos perspectives des plus brillantes pour 1972. Je suis d'avis que la réussite de la compagnie est attribuable au maintien de la technique de vente adoptée au moment de sa fondation. Cette technique a fait ses preuves depuis plus de dix ans, et je crois qu'elle continuera de satisfaire aux exigences de la clientèle, où que nous allions.

Ce programme d'expansion des installations matérielles se complète par une attention constante à la formation du personnel de direction. Un solide noyau de directeurs de projets, du personnel administratif et de spécialistes est en voie de formation pour assurer à notre entreprise l'esprit dynamique et créateur qui a présidé à son évolution.

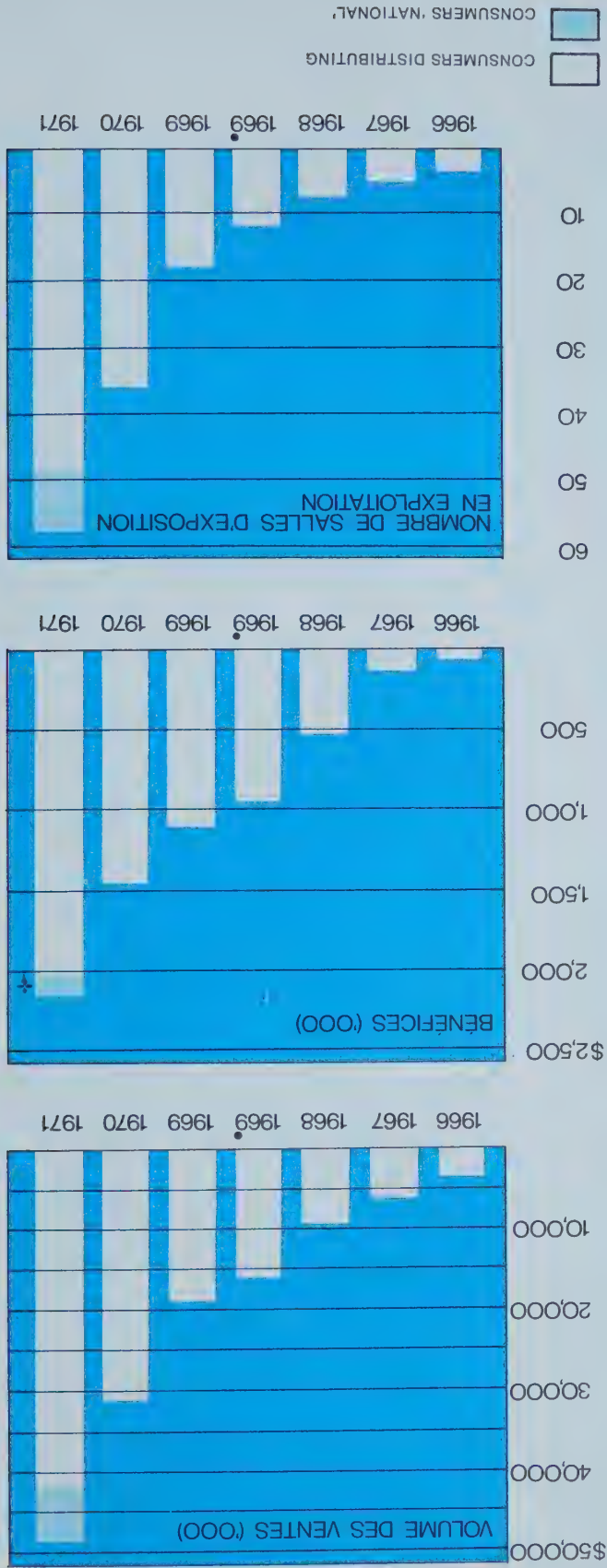
### Remerciements

Au nom du conseil d'administration, je désire remercier tous les employés pour les efforts qu'ils ont si généreusement consentis à la compagnie et auxquels elle doit sa prospérité. Je tiens également à exprimer nos remerciements à nos clients et à nos fournisseurs qui ont contribué par leur loyauté et leur appui aux résultats remarquables que nous avons enregistrés au cours de l'exercice.



23 mars 1972  
Le président,  
Jack Stupp

UNE PART DE 50% DANS LES BENEFICES DE CONSUMERS NATIONAL  
DE 1966 A 1969 INCLUSIVEMENT; POUR 12 MOIS, AU 31 AOUT; DE 1969 A 1971 INCLUSIVEMENT; POUR 12 MOIS, AU 31 DECEMBRE.



panson, votre compagnie a ouvert 14 salles d'exposition en Ontario au cours de 1971. En fin d'exercice, Consumers Distributing exploitait 49 débouchés dans 31 villes ontariennes, de Cornwall et Ottawa dans l'est, jusqu'à Windsor au sud et Thunder Bay dans le nord-ouest. Consumers Distributing possède maintenant au moins une salle d'exposition dans la plupart des villes et des grandes localités de la province. Une partie de plus en plus grande de notre programme d'expansion sera consacrée au renforcement de notre position dans certaines villes et au déplacement des débouchés existants. En 1972, nous avons à ce jour conclu des ententes pour 10 nouvelles salles d'exposition.

Les salles d'exposition de Consumers Distributing étaient souvent, dans les premières années, situées dans des quartiers commerciaux secondaires où elles occupaient des immeubles existants. De nos jours, nous louons à bail des salles d'exposition construites selon nos devis dans les meilleurs quartiers commerciaux, habituellement dans de grands centres commerciaux ou à proximité.

Nous avons pu ainsi à la fois améliorer la qualité de notre service aux consommateurs et réduire la superficie des succursales. Il y a plusieurs années par exemple, la superficie d'une salle d'exposition ordinaire était de 15,000 pieds carrés; aujourd'hui, elle n'est que de 9,100 pieds carrés, mais la capacité de vente est restée la même.

Parmi les événements les plus marquants du dernier exercice, il faut souligner l'entrée de votre compagnie, par l'intermédiaire d'une compagnie associée, Consumers 'National', sur le marché du Québec. Neuf salles d'exposition de marchandises en vente sur catalogue, exploitées sous la raison sociale "Distributors aux Consommateurs", ont été ouvertes dans l'agglomération urbaine de Montréal depuis mi-septembre.

Dans les salles d'exposition Distributors aux Consommateurs, les catalogues sont en français et en anglais. L'excellent accueil qu'on leur a réservé aux nouvelles salles d'exposition justifie amplement la confiance de la direction qui était d'ailleurs convaincue que cette méthode de vente serait bien acceptée dans le Québec. Les résultats viennent à l'appui de notre décision d'étendre ce marché en ouvrant de nouveaux débouchés à Montréal et dans d'autres

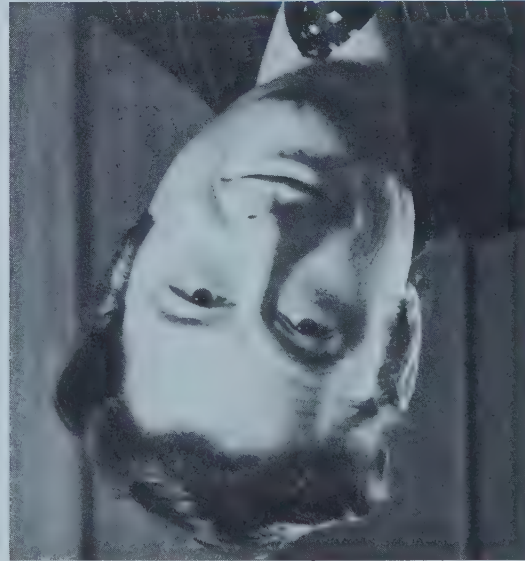
J'ai le plaisir de vous annoncer que votre compagnie a vigoureusement poursuivi son expansion en 1971. L'exercice a été marqué par une augmentation sensible des ventes et des bénéfices, l'ouverture d'autres salles d'exposition en Ontario et notre entrée réussie sur le marché du Québec par l'intermédiaire d'une compagnie associée, Consumers Distributing Company (National) Limited, dans laquelle votre compagnie est détenteur de 50% des titres.

En Ontario, les ventes ont enregistré une forte augmentation en 1971; le total est passé de \$31,216,000 pour l'exercice précédent à \$42,918,000. Pour les premiers quatre mois d'exploitation de Consumers 'National' au Québec, les ventes se sont élevées à \$5,228,000.

Les bénéfices par action se sont accrus de 56% par rapport à l'exercice précédent, passant de 70 cents à \$1.10. Le total des bénéfices s'est situé à \$2,222,000, comparé à \$1,421,000 un an plus tôt. Les derniers chiffres comprennent la part de la compagnie soit \$165,000, dans les bénéfices de Consumers 'National'.

Dans le cadre de son programme d'ex-

## AUX ACTIONNAIRES





## CONSEIL D'ADMINISTRATION

Jack Stupp, directeur du Conseil d'Administration et président,  
Toronto  
L. S. D. Fogler, C.R., avocat, Toronto  
A. J. Latner, président de Greenwin Construction Company, Toronto  
H. L. Wolfson, économiste-conseil, Toronto

## DIRECTION

Jack Stupp, directeur du conseil d'administration et président  
L. S. D. Fogler, C.R., secrétaire-trésorier  
Albert Binstock, vice-président, Commercialisation  
George Graff, vice-président, Exploitation  
A. Roy Voelker, C.A., vice-président, Finances et Administration  
Peter M. C. Onions, F.A.I.A., contrôleur

## AGENT DES TRANSFERTS ET D'IMMATRICULATION

Compagnie Guaranty Trust du Canada, Toronto  
Laventhol Krekstein Horwath & Horwath, Toronto

## BANQUE

Banque Canadienne Impériale de Commerce

## BOURSE

Bourse de Toronto

## SIÈGE SOCIAL

62 Beiffeld Road, Rexdale, Ontario

## POINTS FINANCIERS SAILLANTS

### VENTES

Consumers Distributing	\$42,918,000	\$31,216,000
Consumers 'National'	\$ 5,228,000	—

### BÉNÉFICES NETS

	\$ 2,222,000	\$ 1,421,000
BÉNÉFICES PAR ACTION	\$ 1.10	\$ 0.70

### FONDS DE ROULEMENT

	\$ 6,939,000	\$ 5,501,000
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### TITRES

Nombre en circulation en fin d'exercice	2,030,125	2,025,000
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### SALLES D'EXPOSITION (en fin d'exercice)

Consumers Distributing	49	36
Consumers 'National'	9	—

# Consumers Distributing

rapport annuel 1971





**CONSUMERS  
DISTRIBUTING  
COMPANY  
LIMITED**

**62 Belfield Road,  
Rexdale 603, Ontario**

**46 SHOWROOMS IN 30 ONTARIO COMMUNITIES**

**TORONTO**

1536 Midland Avenue  
301 Danforth Road  
660 Eglinton Avenue East  
(Sunnybrook Plaza)  
5825 Yonge Street  
(Newtonbrook Plaza)  
585 St. Clair Avenue West  
1200 Castlefield Avenue  
877 Wilson Avenue  
62 Belfield Road  
5230 Dundas Street West  
(Six Points Plaza)  
818 Dufferin Street  
(Dufferin Plaza)

**BARRIE**

353 Bayfield Street

**BELLEVILLE**

211 North Front Street

**BRAMPTON**

239 Queen Street East

**BRANTFORD**

331 King George Road

**BROCKVILLE**

71 Parkdale Avenue

**BURLINGTON**

2340 Fairview Avenue

**CHATHAM**

351 Richmond Street

**COOKSVILLE**

93 Dundas Street East

**CORNWALL**

East Court Mall

**GALT**

551 Hespeler Road

**GUELPH**

220 Victoria Road South

**HAMILTON**

70 Sanford Avenue North  
319 Nash Road North

**AR45**

**KINGSTON**

71 Princess Street

**KITCHENER**

1253 King Street East

**LONDON**

352 Talbot Street  
476 Clarke Road  
390 Springbank Drive

**NORTH BAY**

Nipissing Plaza

**OAKVILLE**

1054 South Service Road

**OTTAWA**

867 St. Laurent Boulevard  
254 Preston Street  
1616 Merivale Road  
1440 Walkley Road

**PETERBOROUGH**

Market Place Shopping  
Centre

**RICHMOND HILL**

9741 Yonge Street

**SARNIA**

1249 London Road East

**ST. CATHARINES**

43 James Street  
224 Glendale Avenue

**STRATFORD**

447 Huron Street

**SUDBURY**

1549 Fairburn Street\*

**WATERLOO**

25 King Street South

**WELLAND**

Lincoln Plaza

**WHITBY**

1810 Dundas Street East

**WINDSOR**

2400 Dougall Avenue

**WOODSTOCK**

972 Dundas Street

**CONSUMERS DISTRIBUTING  
COMPANY LIMITED**

**six months ended June 30, 1971**

*Interim report to shareholders*

## To Our Shareholders:

I am pleased to report that sales for the second quarter increased by 53 percent to \$8,401,743 from \$5,495,227 a year earlier. Net profit was \$324,464, up 50 percent from the \$203,860 for the same period a year ago. Earnings per share were 16 cents this year, compared with 10 cents a year ago.

For the six month period ended June 30, 1971, your company's sales of \$13,425,043, were 56 percent greater than the sales of \$8,592,627 for the same period a year ago.

Profit for the six month period was \$374,264 or 18 cents per share, an increase of 62 percent over the \$231,160 or 11 cents per share of a year earlier.

During the second quarter, we opened six catalogue-showroom outlets, making a total of 46 in operation at the end of the period. The latest openings were at Galt, Guelph, Brockville, Richmond Hill, a second location in St. Catharines and a fourth outlet in Ottawa. Our expansion program has continued, with the recent opening of a showroom in Dufferin Plaza, in Toronto's central west-end. More showrooms are scheduled for opening in the coming months.

Consumers Distributing Company (National) Limited, a company jointly owned with Oshawa Wholesale Limited, is proceeding with its plans to open catalogue-showrooms in the Montreal area beginning in September. These showrooms will operate under the name Distribution aux Consommateurs. We anticipate an excellent response to this unique concept from the Quebec shopper.

Toronto  
July 20, 1971

Jack Stupp  
President

## Consolidated Statement of Income

Six months ended June 30

(Unaudited)	1971	1970 (Note 2)
Sales .....	\$13,425,043	\$8,592,627
Gross profit (Note 2) .....	3,356,256	2,136,596
Income		
before income taxes .....	792,095	489,746
Income taxes .....	417,831	258,586
Net income		
for six months .....	\$ 374,264	\$ 231,160
Earnings per share (Note 1) .....	18.5¢	11.4¢

## Consolidated Statement of Source and Application of Funds

(Unaudited)

	1971	1970 (Note 2)
Source of Funds:		
From operations:		
Net income .....	\$ 374,264	\$ 231,160
Add charges to income not requiring a current outlay of funds: .....		
Depreciation and amortization of equipment and leasehold improvements .....	104,680	53,700
Amortization of deferred charges .....	80,062	16,500
Amortization of financing expenses .....	6,000	—
Deferred income taxes .....	130,133	14,400
	<u>695,139</u>	<u>315,760</u>
Issue of debentures .....	—	3,000,000
	<u>695,139</u>	<u>3,315,760</u>
Application of funds:		
Deferred charges .....	97,725	56,000
Financing expenses .....	—	116,100
Equipment and leasehold improvements .....	306,309	431,000
	<u>404,034</u>	<u>603,100</u>
Increase in working capital .....	291,105	2,712,660
Working capital at beginning of period .....	5,500,882	2,167,631
Working capital at end of period ..	<u>\$ 5,791,987</u>	<u>\$4,880,291</u>

NOTE 1: Earnings per share are based on 2,025,000 shares outstanding in both periods.

NOTE 2: For the purpose of interim statements actual inventories are not taken. Income has been determined by applying an estimated 25.0 per cent gross profit margin for the current year, based on recent experience. The 1970 financial statements have been recast to reflect the actual gross profit percentage earned for that year.



## CONSUMERS DISTRIBUTING COMPANY LIMITED

### NOTICE OF ANNUAL AND GENERAL MEETING OF SHAREHOLDERS

TAKE NOTICE that the Annual and a General Meeting of the Shareholders of CONSUMERS DISTRIBUTING COMPANY LIMITED will be held at the Royal York Hotel, Toronto, Ontario, on Monday, the 19th day of April, 1971, at the hour of 2:00 o'clock in the afternoon (Toronto time) for the following purposes:

1. To receive and consider the annual reports containing the financial statements made up of the consolidated balance sheet of the Company and its subsidiary Companies as at December 31, 1969, and as at December 31, 1970, and the consolidated statements of profit and loss, retained earnings and source and application of funds for the years ended on the said dates, together with the reports of the auditors thereon.
2. To elect directors.
3. To appoint auditors and to authorize the directors to fix their remuneration.
4. To consider, and if approved, confirm By-law No. 8 of the By-laws of the Company passed by the directors on the 11th day of December, 1970, relating to the indemnification of directors, officers and others.
5. To transact all such other business as may properly come before the meeting or any adjournment or adjournments thereof.

A copy of the annual report containing the consolidated financial statements of the Company and its subsidiary Companies and the auditors' report respecting the fiscal period ended December 31, 1969 has been mailed prior to the giving of this notice. A copy of the annual report containing the consolidated financial statements of the Company and its subsidiary Companies and the auditors' report for the fiscal year ended December 31, 1970, and an Information Circular and a Proxy form accompany this notice.

DATED at Toronto, Ontario, this 19th day of March, 1971.

By Order of the Board,

LLOYD FOGLER

Secretary

NOTE: Shareholders who are unable to attend the meeting are kindly requested to specify on the enclosed form of instrument of proxy the manner in which the shares represented thereby are to be voted, date, sign the form of instrument of proxy and return same in the envelope provided for that purpose.



# CONSUMERS DISTRIBUTING COMPANY LIMITED

## INFORMATION CIRCULAR

### SOLICITATION OF PROXIES

This Information Circular is furnished in connection with the solicitation by the management of CONSUMERS DISTRIBUTING COMPANY LIMITED (hereinafter sometimes called "the Company") of proxies to be voted at the Annual and a General Meeting of the Shareholders of the Company called for the purposes set forth in the accompanying Notice of Meeting and to be held at the Royal York Hotel, Toronto, Ontario, on the 19th day of April, 1971, and at any adjournment or adjournments thereof. Solicitation of proxies will be by mail, and the cost of solicitation by or on behalf of the management will be borne by the Company.

### APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of Instrument of Proxy shall represent the management at the said Annual and a General Meeting of Shareholders. A SHAREHOLDER HAS THE RIGHT TO APPOINT A PERSON (WHO NEED NOT BE A SHAREHOLDER) TO ATTEND AND ACT FOR HIM AND ON HIS BEHALF AT THE MEETING OTHER THAN THE PERSONS DESIGNATED IN THE FORM OF PROXY ACCOMPANYING THIS INFORMATION CIRCULAR. TO EXERCISE THIS RIGHT, THE SHAREHOLDER MAY INSERT THE NAME OF THE DESIRED PERSON IN THE BLANK SPACE PROVIDED IN THE PROXY AND STRIKE OUT THE OTHER NAMES OR MAY SUBMIT ANOTHER APPROPRIATE PROXY.

The shares represented by the proxy will be voted, and where a choice with respect to any matter to be acted upon has been specified in the proxy, the shares will, subject to Section 121 of The Business Corporations Act, 1970 (Ontario), be voted in accordance with the specifications so made. The said Section 121 provides as follows:

"121. If the votes represented at a meeting by proxies requiring that they be voted in respect of a particular matter or group of matters total to the knowledge of the Chairman of that meeting, less than 5% of all the voting rights attaching to all of the shares entitled to be voted and be represented at the meeting, the Chairman has the right not to conduct that vote by way of ballot on any such matter or group of matters unless a poll is demanded at the meeting in which case the vote shall be by way of ballot."

The form of proxy confers discretionary authority with respect to amendments or variations to matters identified in the Notice of Meeting and other matters which may properly come before the meeting.

A shareholder executing the enclosed form of proxy has the power to revoke it at any time before it is exercised. Section 116 (4) of The Business Corporations Act, 1970 (Ontario) sets out a procedure for revoking proxies by the deposit of an instrument in writing at the Head Office of the Company at any time up to and including the last business day preceding the day of the Annual and a General Meeting or with the Chairman of such meeting.

### EXERCISE OF DISCRETION OF PROXIES

The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them. IN THE ABSENCE OF SUCH DIRECTION SUCH SHARES WILL BE VOTED FOR THE APPROVAL OF THE ANNUAL REPORTS CONTAINING THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AND ITS SUBSIDIARY COMPANIES TOGETHER WITH THE REPORT OF THE AUDITORS; FOR THE ELECTION OF DIRECTORS PROPOSED BY MANAGEMENT; FOR THE APPOINTMENT OF AUDITORS; FOR THE CONFIRMATION OF BY-LAW NO. 8 OF THE COMPANY MENTIONED BELOW IN THIS CIRCULAR. The enclosed form of instrument of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Annual and a General Meeting. At the time of the printing of this circular, the management of the Company knows of no such amendments, variations or other matters to come before the meeting other than the matters referred to in the said Notice.

### VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

As at the 19th day of March, 1971, 2,025,000 common shares without par value in the capital of the Company were issued and outstanding, each carrying one vote. Only holders of record at the close of business on the 18th day of April, 1971, will be entitled to vote at the Annual and a General Meeting referred to in the accompanying Notice of Meeting.

To the knowledge of the directors or senior officers of the Company the only persons who beneficially own, directly or indirectly, more than 10% of the equity shares of the Company are:

<u>Name</u>	<u>Approximate No. Shares</u>	<u>Percentage of Outstanding Equity Shares Represented</u>
Jack Stupp	495,000	24.44
The Jack Stupp Trust, a Trust of which Jack Stupp is principal beneficiary	137,200	6.77



The Jack Stupp Trust, The Lillian Stupp Trust, The Rochelle Stupp Trust, The Randall Stupp Trust and The Cyd Stupp Trust, beneficial owners in the aggregate of 26.07% of the outstanding common shares of the Company, have all agreed to execute and deliver proxies in favour of management.

### ELECTION OF DIRECTORS

It is proposed that the persons whose names are set forth below will be nominated for election as directors of the Company, to hold office from the date of election until the first following Annual Meeting of Shareholders of the Company, or until their respective successors shall be elected or appointed.

The management does not contemplate that any of such nominees will be unable to serve as a director, but if that should occur for any reason prior to or at the time of the meeting, the persons named in the form of proxy reserve the right to vote for another nominee in their discretion.

The following table states the names of all persons proposed to be nominated for election as directors, all other positions and offices presently held by them and with the Company and their principal occupations or employment, the date on which each first became a director of the Company and the approximate number of common shares in the capital of the Company beneficially owned by each, directly or indirectly. The information as to such shares beneficially owned, not being within the knowledge of the Company, has been furnished by the persons proposed to be nominated.

Name	Position with the Company	Principal Occupation Within the Previous 5 Years	Director Since	Approximate No. of Common Shares Beneficially Owned Directly or Indirectly as of March 19, 1971
Jack Stupp	Chairman of the Board and President	President of Consumers Distributing Company Limited	Dec. 6, 1956	632,200
Lloyd Fogler, Q.C.	Secretary-Treasurer and Director	Barrister and Solicitor, Partner, Siegal, Fogler, Horkins & Greenglass	Oct. 31, 1968	5,245
Harry Wolfson	Director	Economic Consultant	Nov. 15, 1968	3
Albert J. Latner	Director	President, Greenwin Construction Company	Nov. 15, 1968	1
Lillian Stupp	Senior Officer	Senior Officer of Consumers Distributing Company Limited and Married Woman	Feb. 12, 1970	113,200

### REMUNERATION OF MANAGEMENT AND OTHERS

The aggregate direct remuneration paid or payable by the Company and its subsidiaries whose financial statements are consolidated with those of the Company to the directors and senior officers of the Company during the Company's last completed financial year was \$153,133.00.

The estimated aggregate cost to the Company and its subsidiaries in the Company's last completed financial year of all pension benefits proposed to be paid by the Company or any of its subsidiaries under any normal pension plan, directly or indirectly, to directors and senior officers of the Company in event of retirement at normal retirement age is \$5,000.00.

On the 12th day of November, 1969, the Board of Directors of the Company established The Consumers Distributing Company Limited Employee Stock Option Plan (hereinafter referred to as "the Plan"). Under the provisions of the Plan the Company is authorized to enter into Stock Option Agreements with employees with respect to an aggregate of 100,000 common shares without par value in the capital of the Company, and the Company has allocated sufficient common shares in its capital for that purpose. On October 29th, 1970, 3 senior officers of the Company (not directors) were granted options to purchase an aggregate of 12,000 common shares, as to 4,000 common shares each, at an option price of \$15.50; these options expire on October 29th, 1980. On November 23rd, 1970, 76 other employees of the Company (none of whom were directors) were granted options to purchase an aggregate of 46,850 common shares at an option price of \$17.00; these options expire November 23rd, 1980. The Company has accordingly optioned 58,850 common shares under the Plan. All options granted by the Company pursuant to the provisions of the Plan are exercisable at prices to be fixed by the Board of Directors (the options already granted have been granted at the prices referred to above) provided that such prices shall be fixed at no more than 10% below the price of the shares on The Toronto Stock Exchange at the time each option is granted. A summary showing the price range of the shares of the Company during the 30-day period immediately preceding the granting of the aforesaid options is not readily ascertainable; all options granted under the Plan have been granted at prices which were less than 10% below the then prevailing price of the common shares of the Company on The Toronto Stock Exchange on the date of the grant of each respective option.

During the last completed financial year of the Company, the Company agreed to loan the sum of \$20,000.00 to C. D. Scott, a Vice-President; the loan is secured and is payable on demand without interest.

### PARTICULARS OF MATTERS TO BE ACTED UPON

The Annual and a General Meeting of the Shareholders of the Company is being called for the purpose of considering, and, if approved, confirming By-law No. 8 of the By-laws of the Company passed by the directors on the 11th day of December, 1970, relating to the indemnification of directors, officers and others. This By-law is designed to ensure that the provisions of the Company's By-laws relating to the indemnification of directors comply with the provisions of The Business Corporations Act, 1970 of Ontario which was proclaimed in force as of January 1, 1971. By-law No. 8 requires confirmation by a majority of the votes cast in person or by proxy at this meeting. A copy of By-law No. 8 is attached to and forms part of this Information Circular.



## APPOINTMENT OF AUDITORS

The persons named in the enclosed form of Instrument of Proxy intend to vote for the reappointment of Messrs. Laventhol Krekstein Horwath & Horwath as auditors of the Company to hold office until the next Annual Meeting of Shareholders at a remuneration to be fixed by the Board of Directors, the Board of Directors being authorized to fix such remuneration. Messrs. Vise, Rumack, Hecker, Stal & Hayeems were auditors of the Company since in or about the year 1963 until the year 1968 when they merged with Messrs. Laventhol Krekstein Horwath & Horwath, who have continued as auditors of the Company to the present time.

### GENERAL

Information contained herein is given as of the 19th day of March, 1971. If any matters which are not known should properly come before the meeting, the accompanying Instrument of Proxy will be voted on such matters in accordance with the best judgment of the person voting it.

DATED as of the 19th day of March, 1971.

### BY-LAW NO 8

A by-law for the indemnification of directors and officers of  
CONSUMERS DISTRIBUTING COMPANY LIMITED

BE IT ENACTED as a by-law of CONSUMERS DISTRIBUTING COMPANY LIMITED (hereinafter referred to as the "Company") as follows:

1. Every director and every officer of the Company and his heirs, executors, administrators and other legal personal representatives shall, from time to time and at all times, be indemnified and saved harmless by the Company from and against:

(a) any liability and all costs, charges and expenses that he sustains or incurs in respect of any action, suit or proceeding that is proposed or commenced against him for or in respect of anything done or permitted by him in respect of the execution of the duties of his office; and

(b) all other costs, charges and expenses that he sustains or incurs in respect of the affairs of the Company; provided that no director or officer of the Company shall be indemnified by it in respect of any liability, costs, charges or expenses that he sustains or incurs in or about any action, suit or other proceeding as a result of which he is adjudged to be in breach of any duty or responsibility imposed upon him under The Business Corporations Act, 1970 or under any other statute unless, in an action brought against him in his capacity as director or officer, he has achieved complete or substantial success as a defendant.

2. The Company may purchase and maintain such insurance for the benefit of its directors and officers as the board may from time to time determine, except insurance against a liability, cost, charge or expense of the director or officer incurred as a result of a contravention of Section 144 of The Business Corporations Act, 1970.

3. Section 33, of By-law No. 5 passed by the directors on the 25th day of November, 1968 is repealed from and after the coming into force of this By-law No. 8 provided that such repeal shall not affect the validity of any right, obligation or liability acquired or incurred under the said section prior to the effective date of its repeal.

4. This By-law shall come into force twenty-four (24) hours prior to the commencement of the day on which The Business Corporations Act, 1970 comes into force.

ENACTED this 11th day of December, 1970.

WITNESS the corporate seal of the Company.

"Jack Stupp"

Jack Stupp

—

President

"Lloyd Fogler"

Lloyd Fogler

—

Secretary